

Message Text

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PAGE 01 LAGOS 09063 120911Z
ACTION COME-00

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FM AMEMBASSY LAGOS
TO SECSTATE WASHDC 2879
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DEPT PASS USDOC/BIC/MEPD

E.O. 11652: N/A
TAGS: ENRG, BENC, NI
SUBJECT: MAJOR PROJECT: LNG UPDATE

REF: (A) STATE 178360, (B) LAGOS 5591

1. FMG NOW APPEARS TO BE FIRMLY SET ON IDEA REPORTED PARA 6 REFTEL B OF COMBINING PHILLIPS-AGIP-ELF (BAE) LKG PROJECT WITH SHELL-BP PROJECT. ACCORDING TO POPO BALOGUN, NIGERIAN MANAGING DIRECTOR OF PHILLIPS, THERE IS MORE TO THIS DECISION THAN DESIRE TO SAVE ON COSTS BY REDUCING NECESSARY INFRASTRUCTURE. ON ONE HAND PAE PROJECT IS FAR AHEAD OF SHELL-BP WITH RESPECT TO VITALLY IMPORTANT MATTER OF LINING UP FIRM CUSTOMERS. THIS BECAUSE PAE INTEND TO MARKET LKG IN EUROPE, WHILE SHELL-BP LOOK TO U.S. MARKET WITH ITS FPC HURDLE. PAE, BALOGAN SAID, ALSO FAR ALONG WITH RESPECT TO SHIPPING, FOR WHICH ELF HAS BEEN ASSIGNED RESPONSIBILITY. PAE HAVE SETTLED ON SPECIFICATIONS FOR THEIR TANKERS, BUT HAVE NOT YET SELECTED A SHIPYARD.

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2. ON OTHER HAND, SHELL-BP FURTHER ADVANCED THAN PAE AS REGARDS PROCESS TECHNOLOGY. SHELL-BP ORIGINALLY PLANNED TO AWARD PROCESS ENGINEERING CONTRACT TO TECHNIP OF FRANCE, WHICH WOULD HAVE USED FRENCH AIR LIGUIDE TEALARC PROCESS. HOWEVER, AS RESULT OF EXPERIENCE GAINED IN OPERATING BRUNEI LNG FACILITY, WHICH WAS BUILT BY JAPAN GASOLINE/PROCON USING AIR PRODUCTS AND CHEMICALS APCI-NCR PROCESS, SHELL HAS DECIDED IT HAS

SUFFICIENT IN-HOUSE PROCESS ENGINEERING TECHNOLOGY TO DO WITHOUT TECHNIP AND WOULD PREFER TO STICK WITH AMERICAN APCI-MCR PROCESS. (FRENCH COMMERCIAL ATTACHE RECENTLY CONFIRMED THIS BY TELLING PETROLOFF QTE CONGRATUALATIONS, YOU'VE WON IT UNQTE IN PASSING REFERENCE TO LNG PROJECT ON TENNIS COURT.) PAE, HOWEVER, ARE, ACCORDING TO BALOGUN, SOMEWHAT DIVIDED ON SUBJECT OF PROCESS TECHNOLOGY, WITH PHILLIPS SET ON ITS OWN OPTIMIZED CASCADE PROCESS AS USED IN KENAI, ALASKA LNG FACILITY, WHILE AGIP AND ELF NOT FULLY AGREED. AGIP ALSO WANTED GROUP TO AWARD CONSTRUCTION TO SCAMPROGETTI, WHILE PHILLIPS REFUSED TO GO ALONG WITH SUCH PRE-SELECTION.

3. LOOKING OVER THIS SITUATION, FMG DECIDED MOST EFFICIENT COURSE TO FOLLOW WAS TO COMBINE TWO PROJECTS, USE APCI-MCR PROCESS SELECTED BY SHELL, TRANSPORT IN SHIPS ARRANGED BY ELF, AND MARKET FIRST TO PAE CLIENTS IN EUROPE. FOREIGN PARTNERS NOT FULLY RECONCILED TO IDEA YET. PHILLIPS UNDERSTANDABLY ANNOYED AT PROSPECT LOSING PROCESS CONTRACT. ALL FOREIGN PARTNERS CONTEND THAT TOO MANY COOKS WILL SPOIL THE BROTH. MOREOVER, IT HAS BEEN PROPOSED THAT FOREIGN SHAREHOLDING BE SPLIT EVENLY AMONG ALL PARTNERS AT 8 PERCENT EACH. THIS WOULD INCREASE PROPORTIONAL HOLDING OF PHILLIPS, AGIP AND ESPECIALLY ELF IN RELATION TO SHELL AND BP, AND IS THUS OPPOSED BY LATTER TWO. NEVERTHELESS, IT BEGINNING LOOK MORE AND MORE AS IF FMG WILL INSIST ON COMBINED PROJECT. IT HARD TO DISAGREE WITH REASONING, ALTHOUGH IT UNFORTUNATE SUCH A DECISION COULD NOT LIMITED OFFICIAL USE

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HAVE BEEN MADE TWO YEARS EARLIER.

4. IN ANSWER REFTEL A, BOTH MANAGING DIRECTOR OF SHELL-BP AND LOCAL BECHTEL REPRESENTATIVE SAY BECHTEL HAS NOT REPEAT NOT BEEN AWARDED CONSTRUCTION MANAGEMENT CONTRACT FOR LNG PROJECT. HOWEVER, IT DOES LOOK AS IF CHANCES FOR THAT FIRM TO GET OVERALL ROLE ON NIGERIAN LNG ARE INDEED INCREASINGLY GOOD. OF SEVEN LNG BASELOAD PLANTS NOW ACTUALLY IN OPERATION THROUGHOUT WORLD, BECHTEL HAS BEEN INVOLVED IN CONSTRUCTION OF FOUR, INCLUDING TWO MOST RECENT FACILITIES AT DAS ISLAND, UAE, AND BADAQ, INDONESIA. (CONTRACTORS ON OTHER THREE WERE TECHNIP/PRITCHARD, TECHNIP/SPIE/CEM-CMP, AND JAPAN GASOLINE/PRONON.) EXCEPT FOR KENAI, ALASKA PLANT, WHICH USED PHILLIPS PETROLEUM'S OPTIMIZED CASCADE SYSTEM, EACH OF THE FACILITIES BECHTEL HAS BUILT HAS EMPLOYED APCI-MCR LIQUEFACTION PROCESS. BECHTEL CAN THUS RIGHTLY CLAIM TO HAVE GREATER FAMILIARITY WITH PROCESS SHELL-BP HAVE CHOSEN THAN ANY OTHER CONSTRUCTION ENGINEERING FIRM IN WORLD, AND AT SAME TIME IS ALSO THE ONLY SUCH FIRM TO HAVE WORKED WITH RIVAL PHILLIPS PROCESS. FINALLY, BECHTEL HAS COMPLETED SIGNING OF CONTRACT WITH FMG TO FORM JOINT-VENTURE CONSTRUCTION COMPANY CALLED NIGERIAN ENGINEERING AND MANAGEMENT SERVICES (NEMS) AND SHOULD THUS HAVE DEGREE OF PREFERRED STATUS ON

MAJOR PROJECTS.

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Disposition History: n/a
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